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FIG. 1A

I. ORIGATION

APPLICATION: BORROWER

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ORIGINATOR

UNDERWRITING ANALYSIS

- INCOME VERIFICATION
- CREDIT HISTORY
- OTHER ASSETS
- DOWN PAYMENT

REJECT

ACCEPT

INVESTORS:

PRICING/TERMS

- MONTHLY PAYMENT
- AMORTIZATION PERIOD
- CAPPED MAXIMUM RETURN
- EARLY SALE CONDITIONS

CLOSING

INVESTOR - BORROWER: MORTGAGE PRINCIPAL \$

BORROWER - INVESTOR: MORTGAGE
LOAN AGREEMENT
EQUITY PARTICIPATION CERTIFICATE

BORROWER - SELLER: DOWN PAYMENT \$
MORTGAGE PRINCIPAL \$

SELLER - BORROWER TITLE

II. AMORTIZATION PERIOD - MONTHS 1 THROUGH N

PAYMENT(1)BORROWER→PERIODIC PRINCIPAL \$--SERVICER____INVESTOR
REPAYMENT -PROCESS

- CALCULATE AVG AMORT. PERIOD PRINCIPAL
(TOTAL MONTHLY PRINCIPAL OUTSTANDING
÷#MONTHS SINCE ORIGATION)

SALE:

- i. DETERMINE REALIZED APPRECIATION
NET SALE PRICE - PURCHASE PRICE)
- ii. CALCULATE MAXIMUM CAPPED ANNUAL RETURN
(E.G., AVG. AMORT. PERIOD INDEX %+__%)
- iii. MULTIPLY (ii.) BY AVERAGE ANNUAL PRINCIPAL
- iv. DIVIDE PROCEEDS
(E.G., IF X = [NET SALES PRICE - PURCHASE PRICE - (iii.)] >0,
THEN BORROWER RETAINS X)

→FINAL PRINCIPAL PAYMENT \$→SERVICER____\$ INVESTOR

- PROCESS
- RECALCULATE AVG AMORTIZATION
PERIOD PRINCIPAL

PAYMENT (N)

III. POST AMORTIZATION PERIOD

- SALE:
- i. DETERMINE REALIZED APPRECIATION
NET SALE PRICE - PURCHASE PRICE)
 - ii. CALCULATE MAXIMUM CAPPED ANNUAL RETURN
(E.G., AVG. AMORT. PERIOD INDEX % + ____ %)
 - iii. MULTIPLY (ii.) BY AVERAGE ANNUAL PRINCIPAL
 - iv. DIVIDE PROCEEDS
(E.G., IF $X = [\text{NET SALES PRICE} - \text{PURCHASE PRICE} - (\text{iii.})] > 0$,
THEN BORROWER RETAINS X)

FIG. 2

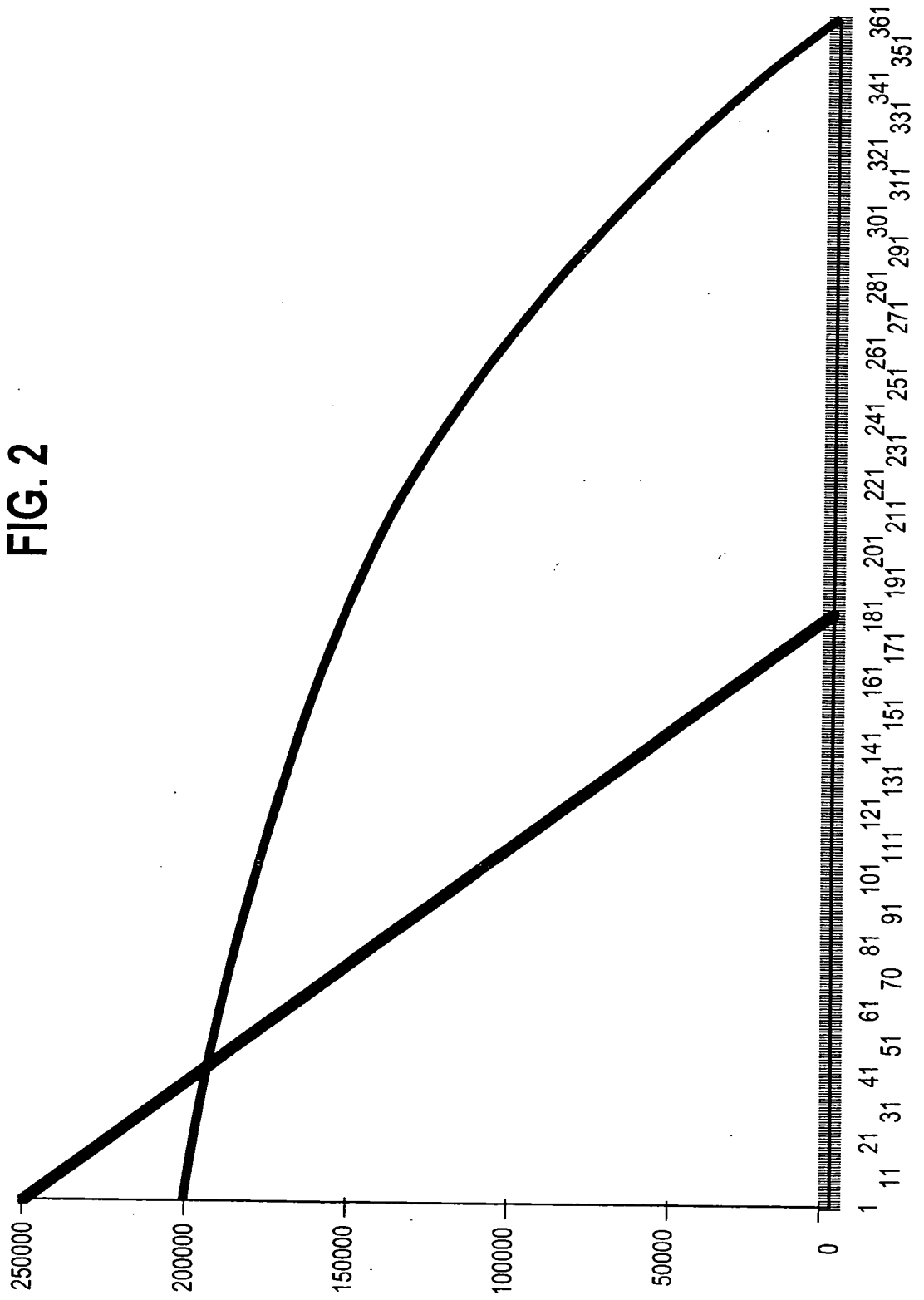


FIG. 3

